CORNHUSKER ECONOMICS

University of Nebraska–Lincoln Extension

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Institute of Agriculture & Natural Resources
Department of Agricultural Economics
http://www.agecon.unl.edu/Cornhuskereconomics.html

Ethanol Fueling Land Market Advances

Market Report	Yr Ago	4 Wks Ago	3/16/07
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	$85.49	$89.91	$98.68
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	135.36	118.35	126.02
Nebraska Feeder Steers, Calves Med. & Large Frame 750-800 lb	102.94	99.77	109.00
Choice Boxed Beef, 600-750 lb. Carcass	145.11	153.29	165.50
Western Corn Belt Base Hog Price Carcass, Negotiated	55.33	64.81	58.68
Feeder Pigs, National Direct 50 lbs, FOB	54.13	67.68	70.38
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	61.46	71.92	67.08
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct	75.00	85.00	84.75
National Carcass Lamb Cutout, FOB	212.98	244.02	241.94
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu	3.76	4.42	4.43
Corn, No. 2, Yellow Omaha, bu	1.82	3.95	3.75
Soybeans, No. 1, Yellow Omaha, bu	5.32	7.31	7.12
Grain Sorghum, No. 2, Yellow Columbus, cwt	2.63	6.41	6.13
Oats, No. 2, Heavy Minneapolis, MN , bu	1.94	2.55	2.89
Hay			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	130.00	*	*
Alfalfa, Large Rounds, Good Platte Valley, ton	65.00	*	*
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	55.00	*	*

* No market.

Nebraska farm real estate market values and cash rents show sizable increases for the year ending February 1, 2007. Preliminary findings from the annual University of Nebraska Farm Real Estate Market Developments Survey indicate the average per-acre value of agricultural land rose 14 percent over the past year (Figure 1 and Table 1). This was the largest annual all-land value increase of the past 19 years (Figure 1 and Table 1). Moreover, the percentage increase follows on three previous years of solid advances, which puts the state's current all-land average value more than 50 percent higher than the 2003 level.

Sharply higher cash corn and soybean prices towards the end of 2006 clearly boosted crop income levels and brought greater market enthusiasm into local land markets across much of the state. To be sure, the demand from rapidly growing ethanol production has triggered the commodity market advances, and in turn worked into the agricultural land market dynamic. Our survey reporters were quick to point this out – particularly in the major corn producing areas of the state.

While advances occurred across the state, the regional differences were dramatic. Preliminary estimates show the Northeast and North regions experiencing value gains 20.7 and 19.1 percent respectively over the twelve-month period – areas that currently have no irrigation moratoriums or water application restrictions. In contrast, the South region, which is experiencing serious water restrictions over much of the area, recorded an overall increase of about 7 percent, with one class of land (cropland with irrigation potential) actually declining in value from a year earlier. The Southwest region also had a recorded value decline for gravity irrigated cropland. Clearly, both current and future water availability issues are being factored into these recent land value patterns and trends.

By class of land, the largest annual percentage gain were for dryland cropland with irrigation potential and

tillable grazing land in the Northeast and North areas. In both of these regions irrigation development continues at a rapid pace. Market participants in these areas are recognizing that the window of opportunity for developing this land for irrigation may be limited by future moratoriums. This, in combination with strong crop commodity prices, has heightened buyer demand in recent months.

Despite the economic disequilibrium that higher feed costs have created for the cattle industry and other livestock sectors, there was still strong upward value movement across the major range areas of the state. Even in the western areas of the state where multi-year drought has been the most pervasive, large percentage increases in non-tillable grazing land and hay land values were recorded. Demand for the forage-based land classes is high given existing cattle inventories in the state.

As for cropland cash rental rate levels, the reported 2007 per-acre rates are up sharply from 2006 levels (Table 2). Higher crop income expectations for 2007 have raised the landowner/tenant bargaining range. Preliminary estimates of 2007 rental rates for dry-land cropland show double-digit percentage increases across much of the state. Likewise, irrigated cropland rates, particularly for center pivot irrigated cropland, have risen substantially in most areas. There were, however, sizable variations across regions of the state, with some of the more water-limited areas recording smaller percentage increases in cropland rental rates.

According to our preliminary reports, pasture rental rates on a per-acre basis for 2007 are essentially unchanged from 2006 – not too surprising given drought limitations on pasture carrying capacity across much of the state and lower profit margins for feeder cattle producers in 2006. Cow-calf pair monthly rates reported for 2007 were generally similar to, or slightly below 2006 levels.

A final note: The market for agricultural land is extremely "thin," often with an ownership turnover rate of less than three percent per year. Currently the rate of turnover, according to our survey reporters, is even less; making the task of estimating market values increasingly difficult. Only time will tell if these reported values in the early phases of a totally different agricultural economy are representative of a realistic and sustainable market.

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Figure 1. Average Value of Nebraska Farmland, February 1, 2007 and Percent Change from a Year Ago (Preliminary)

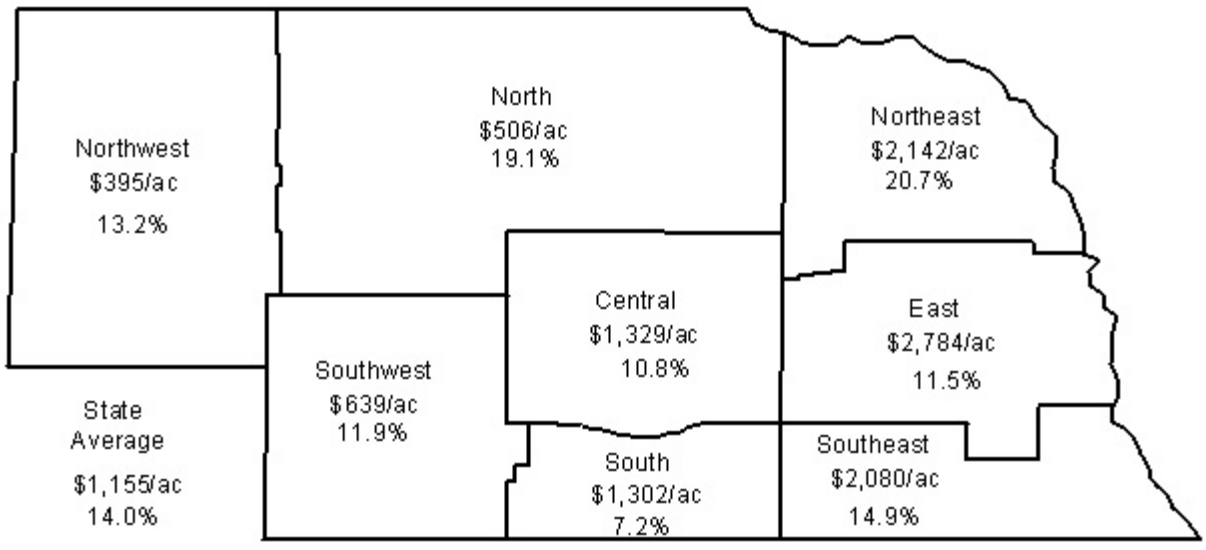

Table 1. Average Reported Value of Nebraska Farmland for Different Types of Land by Agricultural Statistics District, Feb. 1, 2006 - Feb. 1, 2007.[a] (Preliminary)

Type of Land and Year	Agricultural Statistics District								
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast	State[c]
	Dollars Per Acre								
Dryland Cropland (No Irrigation Potential)									
Rptd. in 2007	383	558	1,917	1,056	2,608	559	932	1,845	1,249
Rptd. in 2006	348	483	1,641	933	2,276	519	875	1,563	1,088
% Change	10.1	15.5	16.8	13.2	14.6	7.7	6.5	18.0	14.8
Dryland Cropland (Irrigation Potential)									
Rptd. in 2007	490	808	2,407	1,561	2,870	727	1,126	2,150	1,767
Rptd. in 2006	455	650	1,931	1,450	2,642	623	1,229	1,854	1,556
% Change	7.7	24.3	24.7	7.7	8.6	16.7	-8.4	16.0	13.6
Grazing Land (Tillable)									
Rptd. in 2007	282	475	1,343	848	1,493	401	684	1,106	546
Rptd. in 2006	251	383	1,067	740	1,224	349	651	962	464
% Change	12.4	24.0	25.9	14.6	22.0	14.9	5.1	15.0	17.7
Grazing Land (Nontillable)									
Rptd. in 2007	250	358	900	668	1,033	313	553	749	402
Rptd. in 2006	215	304	800	588	907	273	497	688	352
% Change	16.3	17.8	12.5	13.6	13.9	14.7	11.3	8.9	14.2
Hayland									
Rptd. in 2007	500	568	1,005	791	1,255	550	717	900	701
Rptd. in 2006	430	481	871	679	1,071	449	633	760	598
% Change	16.3	18.1	15.4	16.5	17.2	22.5	13.3	18.4	17.2
Gravity Irrigated Cropland									
Rptd. in 2007	1,195	1,305	2,795	2,431	3,323	1,261	2,199	2,719	2,443
Rptd. in 2006	1,036	1,199	2,310	2,295	2,953	1,340	1,925	2,400	2,202
% Change	15.3	8.8	21.0	5.9	12.5	-5.9	14.2	13.3	10.9
Center Pivot Irrigated Cropland[b]									
Rptd. in 2007	1,112	1,733	3,077	2,521	3,646	1,575	2,254	3,028	2,461
Rptd. in 2006	967	1,480	2,600	2,224	3,253	1,344	2,010	2,743	2,152
% Change	15.0	17.1	18.3	13.4	12.1	17.2	12.1	10.4	14.4
All Land Average[c]									
Rptd. in 2007	395	506	2,142	1,329	2,784	639	1,302	2,080	1,155
Rptd. in 2006	349	425	1,775	1,200	2,496	571	1,215	1,811	1,013
% Change	13.2	19.1	20.7	10.8	11.5	11.9	7.2	14.9	14.0

[a] SOURCE: 2006 and 2007 UNL Nebraska Farm Real Estate Market Developments Surveys.

[b] Value of pivot not included in per acre value.

[c] Weighted averages.

Table 2. Reported Cash Rental Rates for Various Types of Nebraska Farmland by Agricultural Statistics District for 2007 and Comparison with Year Earlier Levels.[a] (Preliminary)

Type of Land and Year	Agricultural Statistics District							
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast
	Dollars Per Acre							
Dryland Cropland								
2007	27	42	109	71	113	34	56	93
2006	24	38	97	63	102	31	52	83
% Change	12.5	10.5	12.4	12.7	10.8	9.7	7.7	12.0
Gravity Irrigated Cropland								
2007	103	115	155	150	158	103	139	153
2006	97	105	133	135	144	101	130	137
% Change	6.2	9.5	16.5	11.1	9.7	2.0	6.9	11.7
Center Pivot Irrigated Cropland								
2007	118	135	171	156	175	128	155	168
2006	102	120	147	140	157	120	139	152
% Change	15.7	12.5	16.3	11.4	11.5	6.7	11.5	10.5
Pasture								
2007	9	14	36	25	32	12	22	30
2006	9	14	36	25	33	13	22	29
% Change	0.0	0.0	0.0	0.0	-3.0	-7.7	0.0	3.4
Cow-Calf Pair Rates								
	Dollars Per Month							
2007	25.00	29.50	28.80	27.75	b	25.70	25.00	25.20
2006	24.00	29.60	29.70	28.90	28.00	26.70	25.60	26.00
% Change	4.2	-0.3	-3.0	-4.0	b	-3.7	-2.3	-3.1

[a] SOURCE: Reporters' estimated average cash rental rates from the 2006 and 2007 UNL Nebraska Farm Real Estate Market Developments Surveys.
[b] Insufficient number of reports.